(c) 60% of the amount of one crore to be contributed by Central Government has already been sanctioned & released.

(d) The facilities being developed in the Multipurpose Cultural Complex at Gwalior are Am phi-theatre, green rooms, Convention & Exhibition area, Library, Dormitory, Workshop, Children Activity area and basic amenities like Cafeteria, parking etc.

ESOPs for employees

*571. SHRI RAJKUMAR DHOOT:
SHRI RAHUL BAJAJ:

Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that Employee Stock Option Schemes are long-term benefit given to employees;

(b) if so, how did Government initiate their coverage under Fringe Benefit Tax in this budget without being clear on how they would be valued and taxed; and

(c) why they should not be more appropriately taxed in the beneficiaries hands?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) Employee Stock Option Schemes are undoubtedly benefits given to employees. However, it is not necessary that the benefits are long-term in nature.

(b) there is no ambiguity in the policy relating to levy of fringe benefit tax on Employee Stock Options Plan (ESOPs).

(c) It is immaterial whether ESOPs are taxed in the hands of the employees or the employers as the applicable rate of tax would generally be same for both, since ESOPs are generally granted to employees in the higher tax bracket. Further in case ESOPs are taxed as perquisite, the employer will be required to deduct TDS from the salary of the employee. On the other hand, in the case of ESOPs being taxed as fringe benefit, the employer has to pay the tax but it still has an option to recover it from the employee, without attracting any further tax consequences.